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Office Memorandum • UNITED STATES GOVERNMENT

TO : AD/RR

DATE: 12 June 1951

FROM : D/A/RR

SUBJECT: Bureau of the Budget Staff Paper on "Economic Defense Program Coordination"

1. The attached paper is the latest draft which has been circulated. A new draft is being discussed today in the Office of the Director of the Budget and may be submitted to NSC.

2. As you know, this stems from the Labouisse paper, NSC 104 (II-B), which recommended an Economic Defense Strategy Board under the chairmanship of the State Department. A concurrent recommendation of the JCS for a separate agency seems to have been disregarded.

3. The reference to intelligence functions on page 19 would seem to conflict with the terms of reference of the Economic Intelligence Committee. Mr. Sternfeldt, of the Budget Bureau, tells me that the latter paper came to his attention today. It is not proposed to include the reference to intelligence on page 19 of the draft of April 19 in the Budget Bureau's final paper to the Council. Nevertheless, I think it would be well for you or the DCI to ask the Director of the Budget for a copy of the document which it is proposed to submit to the Council. If you prefer, I will ask Mr. Sternfeldt for it.

4. I agree that the Budget document needs clarification. Much of the difficulty results from the use of the term "economic defense." I think this is probably the best term to use in this phase of international relations. It is clear from the list of economic defense measures on page 1 that the term is used as a euphemism for economic warfare. Subsequently in the paper, however, the authors seem misled by their own euphemism and include references to foreign procurement and other foreign economic activities.

5. The import of this paper is the recommendation for the appointment of another committee to deal with policy and strategy, of which there are a number already as pointed out in the paper. What is needed, in my opinion, is a focus of responsibility not merely for policy making and strategy but for supervision of tactical operations in the economic blockade and attrition of the Soviet bloc's economic potential for war. After all, strategy in military or economic warfare is impotent until implemented by tactical operations. We have the men and facilities for this work in the Customs Bureau,

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in the Office of International Finance and other branches of Treasury, in OIT and other offices of Commerce, in State, in Defense, and in other Departments, but we have no coordination and no focus of responsibility of the tactical economic intelligence and tactical economic operations. This is needed as urgently as the coordination of policy and strategy.

S.F.C.

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